

SEPL/SE/Oct/1819  
 October 05, 2018

**The General Manager**  
**Corporate Services/Listing Department**  
 BSE Limited  
 Floor 25, P.J. Towers,  
 Dalal Street,  
 Mumbai – 400 001  
**Scrp Code : 501423**

**Sub : CARE credit ratings – Reg.**

**Ref : Regulation 30 of the SEBI Listing Regulations, 2015**

Dear Sir,

This is to inform that CARE Ratings Limited vide its Letter # CARE/ARO/RL/2018-19/1812 dated September 28, 2018, has re-affirmed the Company's bank facility(ies) ratings as below:

Bank Facilities	Amount (₹ in crore)	Rating	Rating Action
Long Term Bank Facilities	106.40	<b>CARE A- ;Stable</b> (Single A Minus; Outlook : Stable)	Re-affirmed
Short term Bank Facilities	30.00	<b>CARE A2+</b> (A Two plus)	Re-affirmed
<b>Total Bank Facilities</b>	<b>136.40</b>		

Rationale for the rating and key rating drivers are annexed herewith.

Kindly take the same on record.

Thanking You.

Yours truly,  
**For Shaily Engineering Plastics Limited**

  
**Preeti Sheth**  
**Asst. Company Secretary**



Encl :a/a

No. CARE/ARO/RL/2018-19/1812

**Mr. Sanjay Shah**  
Chief Strategy Officer  
**Shaily Engineering Plastics Limited**  
Survey No. 364/366, Rania,  
Taluka Savli, Vadodara  
Gujarat – 391 780

September 28, 2018

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your company for FY18 (Audited) and Q1FY19 (Provisional), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	106.40	CARE A-; Stable [Single A Minus; Outlook: Stable]	Reaffirmed
Short-term Bank Facilities	30.00	CARE A2+ [A Two Plus]	Reaffirmed
<b>Total</b>	<b>136.40</b> <b>(Rupees One Hundred Thirty Six crore and Forty lakh only)</b>		

2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by October 3,

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.



2018, we will proceed on the basis that you have no any comments to offer. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

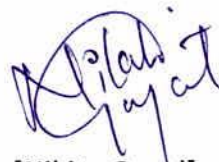
4. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
5. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
6. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.
7. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,  
Yours faithfully,



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Encl.: As above

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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**Annexure 1**  
**Details of Rated Facilities**

**1. Long-term Bank Facilities**

**1.A Rupee Term Loans**

(Rs. crore)

Sr. No.	Name of Bank	Sanctioned Amount	Rated Amount*	Debt Repayment Terms
1	State Bank of India	10.00	4.48	20 quarterly installments of Rs.50 lakh starting from October 2015
2	HDFC Bank	10.00	5.00	20 quarterly installments of Rs.50 lakh starting from December 2015
3		16.00	16.00	8 quarterly installments starting from September 2018
4	Standard Chartered Bank	17.50	17.50	8 quarterly installments starting from August 2018
<b>Total</b>			<b>42.98</b>	

\*Outstanding as on June 30, 2018

**1.B. Foreign Currency Loans**

(Rs. crore)

Sr. No.	Name of Bank	Rated Amount^	Debt Repayment Terms
1	Standard Chartered Bank	3.42	ECB-2 (4 million USD) – Quarterly repayment of 2.5 lakh USD from March 2015
<b>Total</b>		<b>3.42</b>	

^Outstanding of USD 0.50 million as on June 30, 2018; converted at Rs.68.40 per USD.

**1.C. Fund based Working Capital Limits**

(Rs. crore)

Sr. No.	Name of Bank	Cash Credit
1	State Bank of India	30.00
2	Standard Chartered Bank	18.00
3	HDFC Bank	12.00
<b>Total</b>		<b>60.00</b>

**Total Long-term facilities (1.A. +1.B. +1.C.):**

**Rs.106.40 crore**

**2. Short term Bank Facilities**

**2.A. Non-Fund Based limits**

(Rs. Crore)

Sr. No.	Name of Bank	Letter of Credit/ Bank Guarantee
1	State Bank of India	25.00
2	HDFC Bank	5.00
<b>Total</b>		<b>30.00</b>

**Total short-term facilities (2.A.):**

**Rs.30.00 crore**

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## Annexure 2

### Press Release

#### Shaily Engineering Plastics Limited

#### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	106.40	CARE A-; Stable [Single A Minus; Outlook: Stable]	Reaffirmed
Short-term Bank Facilities	30.00	CARE A2+ [A Two Plus]	Reaffirmed
<b>Total</b>	<b>136.40</b> <b>(Rupees One Hundred Thirty Six crore and Forty lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

#### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Shaily Engineering Plastics Ltd. (SEPL) continue to derive strength from the long and established track record of SEPL in the plastic injection molding business, its experienced promoters and reputed clientele across diverse end-use industries along with established relationship with some of its key customers. The ratings also derive strength from SEPL's regular addition of new customers as well as products translating into growth in its total operating income (TOI), sustenance of healthy operating profitability, its comfortable leverage, debt coverage indicators as well as liquidity along with growing demand for plastic with its increased application in various industries.

The ratings, however, continue to remain constrained on account of SEPL's high customer concentration and its moderate bargaining power with its large sized customers, susceptibility of its profitability to raw material price volatility and exposure to foreign exchange rate fluctuations. The ratings also take cognizance of the recently announced sizeable capex by the company, including its foray into the carbon steel segment.

SEPL's ability to grow its scale of operations along with diversification of its customer base while retaining its existing customers while sustaining its profitability and capital structure shall be the key rating sensitivities. Stabilization of new largely debt-funded capex for manufacturing of carbon steel products for its existing customer which is a different operating segment for SEPL shall also be crucial from the credit perspective.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

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## Detailed description of the key rating drivers

### Key Rating Strengths

**Experienced promoters with established track record of operations:** SEPL is managed by Mr. Mahendra Sanghvi, Promoter and Executive Chairman, who has experience of over four decades in the plastic industry. His son, Mr. Amit Sanghvi, is the managing director of SEPL and has around a decade of industry experience. SEPL has an established track record of operations of more than three decades, during which it has developed a wide range of quality products.

**Reputed clientele with addition of new customers and products:** SEPL has long-standing relationship with reputed global and domestic clients across a wide range of end-user industry including home furnishing, FMCG and pharmaceuticals. Over the last few years, SEPL has regularly added new customers and products (for existing customers), which has translated into growth in its scale of operations.

**Healthy growth in TOI with stable operating profit margin:** During FY18, SEPL reported a healthy growth of 29% y-o-y in its TOI backed by increase in sale of higher valued products. Sale to its key customers also witnessed healthy growth on y-o-y basis. SEPL continued to operate with a healthy operating profitability marked by a PBILDT margin of 17.44% (P.Y.: 17.72%) during FY18, which has remained healthy over the years as it operates into niche segment of precision molding and caters to demand from global industry leaders in their respective segments.

**Comfortable capital structure, debt coverage indicators and liquidity:** SEPL's capital structure continued to remain comfortable with an overall gearing of 0.87x as on March 31, 2018. This moderated marginally from 0.63x as on the previous year end due to increase in both long term debt (availed for capex) as well as working capital bank borrowings. SEPL's debt coverage indicators also remained comfortable during FY18 on the back of stable operating profitability translating into healthy cash accruals. Furthermore, SEPL had comfortable liquidity with a stable operating cycle and moderate utilization of its working capital bank borrowings.

**Growing demand for plastic products with increased application in various industries:** There has been rapid increase in consumption of plastic material in recent years on account of newer application areas for plastics such as automotive, rail, defence & aerospace, medical & healthcare, electrical & electronics, telecommunication, building & infrastructure and furniture. In the domestic market as well, governments' initiatives to boost investment in water & sanitation management, irrigation, building & construction, transport and retail is expected to increased consumption of plastic products over the coming years.



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## Key Rating Weaknesses

**High customer concentration with moderate bargaining power:** Home furnishing is the largest segment for SEPL with more than 60% of its TOI in FY18 being contributed by it wherein it caters to a single industry player which leads to high customer concentration. Further, SEPL supplies primarily to leading global & domestic players across diversified industries which restricts its bargaining power vis-à-vis its larger clients.

**Susceptibility of profitability to raw material price volatility and exposure to foreign exchange rate fluctuations:** The key raw material of SEPL is a derivative of crude oil and hence its profitability is susceptible to any adverse movement in crude oil prices. Though SEPL has cost pass-through mechanism with most of its customers, price revision happens only with a time lag. Also, SEPL's profits are susceptible to unfavorable changes in foreign exchange rates to the extent of net open position.

**Sizeable capex over the medium term, including that in carbon steel segment:** Over the medium term, SEPL has plans to incur sizeable capex for expanding its existing manufacturing facilities for plastic products as well as for establishing a new facility for carbon steel products. SEPL has already achieved financial closure for the same and is expected to commence production in H2FY20. While SEPL has significant experience in various types and quality of plastic products, carbon steel is a relatively new domain for the company. The company has hired experienced professional for the same; however, stabilization of the new capex and realizing expected benefits from the same would be crucial from the credit perspective.

**Analytical Approach:** Standalone

## Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Rating Methodology - Manufacturing Companies

Financial ratios - Non- Financial Sector

## About the Company

SEPL, incorporated in 1980, is engaged in manufacturing of high precision injection moulded plastic components and sub-assemblies for various requirements of original equipment manufacturers (OEMs). It also offers secondary operations in plastic like vacuum metalizing, hot stamping, hot foiling and ultrasonic welding. The company caters to a wide range of industries including home furnishing, FMCG, pharmaceuticals, electronics and electrical appliances,

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switchgear components and auto components. Presently, SEPL has five manufacturing units, four of which are located at Savli near Vadodara in Gujarat while one is located at Halol. Out of the four units at Savli, one is an Export Oriented Unit (EOU) while others, including the one at Halol, cater to both domestic and export markets.

Brief financials of SEPL are tabulated below:

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	248.94	320.36
PBILDT	44.12	55.88
PAT	15.85	23.90
Overall gearing (times)	0.63	0.87
Interest coverage (times)	5.59	7.42

A: Audited

During Q1FY19, SEPL reported a total income of Rs.89.43 crore with a PAT of Rs.5.74 crore as against a total income of Rs.71.41 crore and a PAT of Rs.4.43 crore during Q1FY18.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History (Last three years):** Please refer Annexure-2

*Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

**Analyst Contact**

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Cell: 85111 90020

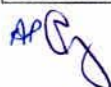
Email: [harshveer.trivedi@careratings.com](mailto:harshveer.trivedi@careratings.com)

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over nearly two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.



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### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	2020	46.40	CARE A-; Stable
Fund-based - LT-Cash Credit	-	-	-	40.00	CARE A-; Stable
Fund-based - LT-Cash Credit	-	-	-	20.00	CARE A-; Stable
Non-fund-based - ST-BG/LC	-	-	-	30.00	CARE A2+

### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	46.40	CARE A-; Stable	-	1)CARE A-; Stable (11-Jan-18) 2)CARE A-; Stable (25-Sep-17)	1)CARE BBB+ Positive (13-Jan-17) 2)CARE BBB+ (16-Aug-16)	1)CARE BBB+ (11-Aug-15)
2.	Fund-based - LT-Cash Credit	LT	40.00	CARE A-; Stable	-	1)CARE A-; Stable (11-Jan-18) 2)CARE A-; Stable (25-Sep-17)	1)CARE BBB+ Positive (13-Jan-17) 2)CARE BBB+ (16-Aug-16)	1)CARE BBB+ (11-Aug-15)
3.	Fund-based - LT-Cash Credit	LT	20.00	CARE A-; Stable	-	1)CARE A-; Stable (11-Jan-18) 2)CARE A-; Stable (25-Sep-17)	1)CARE BBB+ Positive (13-Jan-17) 2)CARE BBB+ (16-Aug-16)	1)CARE BBB+ (11-Aug-15)
4.	Non-fund-based - ST-BG/LC	ST	30.00	CARE A2+	-	1)CARE A2+ (11-Jan-18) 2)CARE A2+ (25-Sep-17)	1)CARE A2 (13-Jan-17) 2)CARE A2 (16-Aug-16)	1)CARE A3+ (11-Aug-15)

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